

Chapter 11

Budgetary Accruals

11-1. General

a. Accrued expenditures measure performance, physical delivery, or constructive receipt that results in the obligation being owed. For example:

- (1) Services of employees, contractors, other U.S. Government entities, vendors, carriers, grantees, lessors, and so forth;
- (2) Goods and other tangible property received; or
- (3) Items such as annuities or insurance claims for which no current service is required.

b. Categorize accrued expenditures as either "unpaid" or "paid". Entries to the accrued expenditure general ledger accounts will require a corresponding entry to the proprietary general ledger accounts for assets, liabilities, and equity. (See Chapter 4.)

11-2. Professional requirements

Accountants will be familiar with --

- a. The types of costs that are normally accrued, such as utilities, rents, communications, and various services;
- b. The acceptable methods of recognizing and prorating these costs to the period where benefit is received, or cost is incurred.

11-3. Responsibilities

The finance and accounting officer/defense accounting officer and accountants will--

- a. Ensure all costs are accrued and recognized in the proper accounting period.
- b. Develop accurate estimates of costs where services are received before the billing.
- c. Ensure procedures are in place to record the receipt of services/supplies/equipment in the accounting records.

11-4. Documentation

- a. Use the documentation listed below to record accrued expenditures. (Note: Adjust the accrual later if more accurate documentation is received).
 - (1) Receiving reports, executed bills of lading, shipping documents, issue and turn-in slips, job sheets, or other documents that prove work was performed, services rendered, or materiel received or constructive delivery.
 - (2) Unpaid invoices from vendors that have been approved for payment, including progress payment requests.
 - (3) Journal vouchers (or their equivalent) showing accrual estimates made by responsible individuals where these documents are used in keeping with accepted accounting practice. (For example, accruals of personal services and terminal leave between the period covered by the latest paid or unpaid payroll voucher and the end of reporting period; liabilities for rental of facilities; interest charges; and estimates of construction in progress/work-in-process.)

- (4) Obligation documents in cases where accrued expenditures are recorded simultaneously with obligations.

11-5. Recording Accruals

a. Specific rules that govern the recording of accrued expenditures are:

- (1) Identify accrued expenditures as either "Government" or "non-Government."
- (2) Record accrued expenditures in the installation accounting records in the month in which they occur. When the same FAO/DAO processes both sides of a buyer/seller transaction, record the accrued expenditure in the same accounting period as the accounts receivable.
- (3) Simultaneously accrue expenditures for all obligations less than \$1,000. This applies to obligations that will be completed in less than 1 year except contracts that call for payments before the receipt of goods or services.
- (4) Simultaneously obligate and accrue expenditures for all civilian pay.
- (5) Simultaneously accrue expenditures for all travel at the time of the obligation.
- (6) Adjust accrued expenditure at the time of payment for goods and services. The paid voucher is the source of the adjustment.
- b. Exceptions to the rules in a, above, are: as follows:
 - (1) Do not accrue expenditures for Defense Contract Management Offices (DCMO) administered contracts until the disbursement is processed by the installation. Defense Contract Management Area Offices (DCMAOs) provide accrual data on contracts they administer directly to DFAS-Indianapolis Center, ATTN: DFAS-IN/ABA, 8899 East 56th Street, Indianapolis, IN 46249-1316. DFAS-IN will adjust the DA level reports to reflect these accruals.
 - (2) Accrue contracts for supplies, materiel, equipment, services, and construction based on the amount earned by contractors.
 - (3) Accrue contracts providing for progress payments based on the contracting officer's approval. Include holdback amount.
 - (4) Accrue land purchased when title passes.
 - (5) Accrue amounts for obtaining legal rights by outright purchase of freeholds and easements after adjudication.
 - (6) Accrue grants, subsidies, contributions, and taxes payable to state and local government for work completed when amounts are administratively approved for payment.
 - (7) Accrue amounts paid according to treaties at the beginning of the period for which the money is appropriated.
 - (8) Accrue the obligated amount for all items in litigation.
 - (9) Account for refunds receivable (except for outstanding advances and prepayments) as a reduction in accrued expenditures instead of an increase in accrued revenue.